



STATE OF MICHIGAN
OFFICE OF THE GOVERNOR
LANSING

JOHN ENGLER
GOVERNOR

May 2002

To the Citizens of Michigan:

The past 12 years have been a period of reform and renewal all across Michigan. In particular, this renaissance has helped our state's diverse urban areas, especially Detroit. I am very proud that our bold urban agenda of improving public education, strengthening families, creating jobs, fighting crime, investing in transportation and cleaning up our environment has made such a positive difference for families who live in Michigan's cities.

First and foremost, great cities have great public schools. That is why education reform has always been at the top of our agenda. Fair and full funding, combined with efforts to increase choice, raise standards and strengthen accountability, provide students in urban public schools with better opportunities to learn and succeed. In Detroit, for example, funding for each of the nearly 180,000 students will reach \$8,880 in the next school year. That's an increase of more than 71 percent since 1990 and a funding level that puts Detroit in the top 10 percent of school districts statewide. In addition, nearly 25,000 students are benefiting from charter public schools or schools of choice.

Strong families are the backbone of strong cities. That is why welfare reforms that focus on work, family independence and individual responsibility have been a cornerstone of our urban agenda. As a result, welfare caseloads have dropped by more than two-thirds in Wayne County and statewide. Dozens of urban neighborhoods, including areas in Detroit, have also achieved the amazing goal of zero welfare cases without earned income. At the same time, innovative family-focused programs have helped immunization rates soar, reduced teen pregnancy and infant mortality rates, and dramatically increased the number of children and low-income families with health insurance.

Safe homes and neighborhoods are the foundation of safe cities that welcome families, businesses and tourists. While one violent crime is still one too many, tough anti-crime laws, expanded prison capacity and state-local law enforcement partnerships have reduced the rate of violent crime. In Detroit, the number of murders is down 35 percent compared to a decade ago, while the number of rapes has fallen by 43 percent.

Another critical urban building block is a modern, efficient transportation infrastructure – high quality, safe roads, bridges and airports. That's why the state has invested nearly \$500 million dollars over the past decade to repair roads and bridges in Detroit, including the rehabilitation of more than 200 bridges and reconstruction of I-75 and other major arteries. In addition, Detroit Metro Airport has been transformed into a truly world-class facility with a new \$1.2 billion state-of-the-art terminal.

Better schools, stronger families and improved infrastructure have all contributed to helping Michigan cities grow and create jobs. Job creation and economic development have also been spurred by 32 statewide tax cuts and initiatives such as Renaissance Zones – areas in which virtually all state and local taxes are waived – and Michigan's brownfield redevelopment program that has generated billions of dollars in new investment and created thousands of new jobs. For example, Grand Rapids' economy has grown by more than 24,000 jobs since 1991, while Detroit has added more than 35,000 new workers. City unemployment rates that had been in double digits dropped to levels that had not been experienced since the 1960s.

Finally, the quality of life in Michigan cities is directly related to the quality of our urban environment. That is why the state has been aggressive in efforts to work with cities to improve air and water quality, to reclaim and reuse contaminated properties and to improve recreational opportunities. Indeed, a substantial portion of the \$675 million Clean Michigan Initiative approved by voters in 1998 has been devoted to environmental cleanup and improvement projects in urban areas. This commitment to environmental rebirth has given Michigan cities a new beginning.

I am very proud of the progress Michigan's cities have made over the past 12 years. This remarkable urban renaissance has set the stage for even more positive change – to educate our children, to strengthen families, to create jobs and to clean up our environment. With the right leadership, I am confident that Michigan's urban neighborhoods will continue to improve and even more families and job providers will want to call them home.

Sincerely,

A handwritten signature in black ink, reading "John Engler". The signature is fluid and cursive, with the first letters of each word being capitalized and prominent.

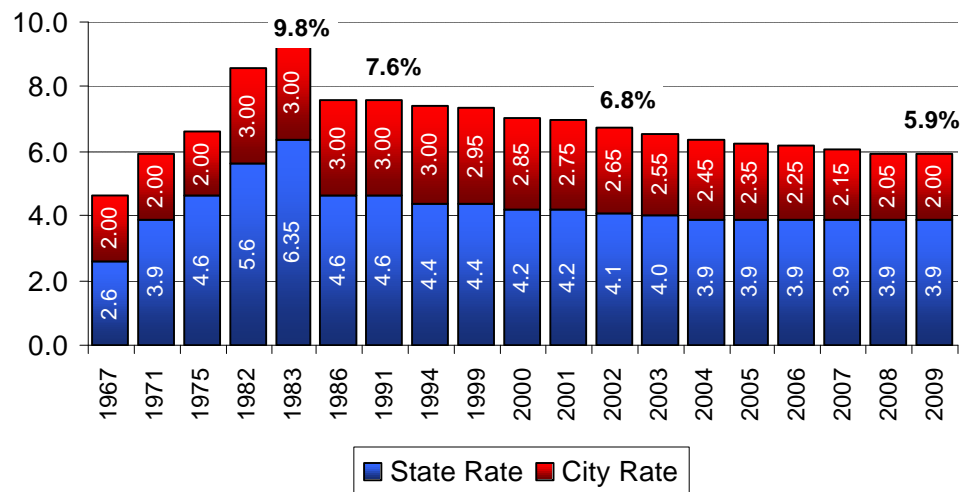
John Engler
Governor

New Beginnings: Promoting Economic Development

Tax Cuts

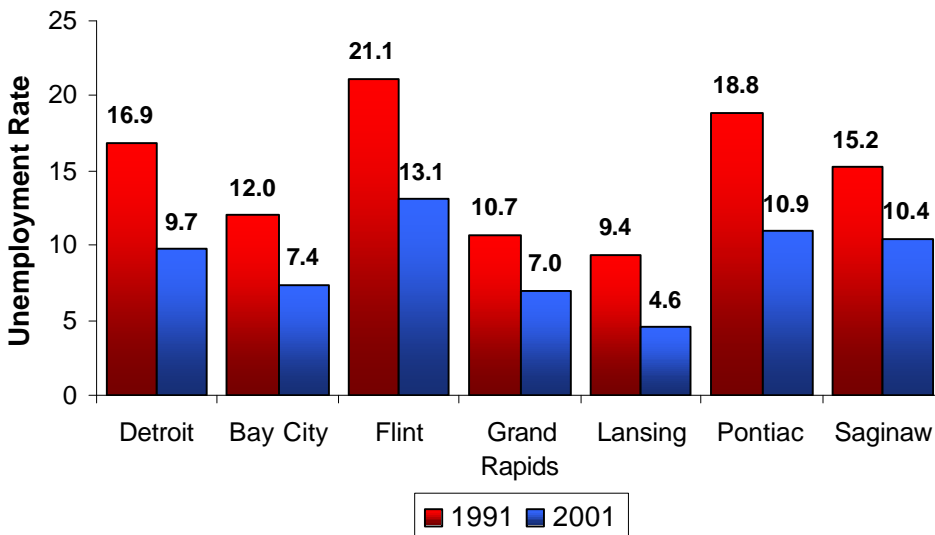
Led by Governor Engler, Michigan has cut taxes 32 times, providing \$32 billion in savings to Michigan taxpayers. Michigan has lowered the tax burden on its residents. Most important, Proposal A cut school property taxes in Detroit from 40 mills to just 6 mills. An analysis by the Michigan Department of Treasury shows that the average homeowner in Detroit saved over \$2,000 last year. The savings from Proposal A in 2000 was more than \$2,300 in Flint, and more than \$2,500 in Lansing.

**Detroit Resident Combined
City/State Income Tax Rate**



In addition, Michigan's income tax rate is gradually being reduced from 4.4 to 3.9 percent. This will result in an overall reduction of the income tax rate for Detroit residents to below 7 percent in 2002.

Annual Unemployment Rates in Michigan Cities



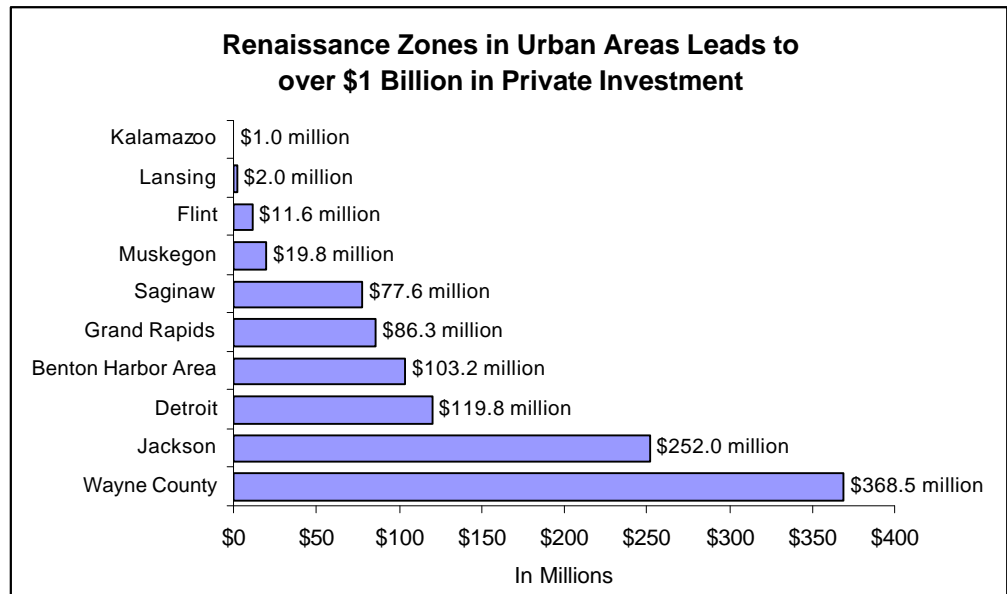
Tax Cuts = Jobs

With the creation of more than 35,000 new jobs in the city, Detroit's unemployment rate has been reduced from 16.9 percent in 1991 to below 10 percent in 2001. The story is the same in many of Michigan's urban communities. Despite the recent downturn in the economy, cities are still much better off today than they were in 1991.

Job Creation

The Renaissance Zone program was created in 1996, by Governor Engler and the Michigan Legislature to help revitalize economically distressed areas, including 10 urban areas. This nationally recognized and frequently imitated program has generated 200 new projects, resulting in more than

4,500 new jobs and \$1.4 billion in private investment. Detroit's zone has already produced \$119,750,000 in new investment and 1,235 new jobs.



Progress Report: ArvinMeritor, Southwest Detroit



In 1999, ArvinMeritor decided to establish a new manufacturing site to consolidate portions of its global automotive sunroof capacity. Following an evaluation of several state locations, ArvinMeritor selected a site on Fort Street in southwest Detroit as its final choice.

The site, located in a Renaissance Zone, afforded the facility distinct advantages over other locations. These advantages, coupled with its location near the Ambassador bridge, global ports along the Detroit River and the I-75 interstate, made it an ideal choice.

Completed in 2001, the 170,000-square-foot, state-of-the-art sunroof plant employs more than 340 Detroit area residents to serve the North American needs of the world's automakers. ArvinMeritor employees maintain a long and proud heritage of community involvement, and the company's Fort Street location is no exception. In fact, as a neighbor to Detroit's Southwestern High School, the facility's employees are embarking in ongoing educational partnerships, mentoring and career counseling.

ArvinMeritor is proud to have located a key manufacturing facility in southwest Detroit and is appreciative of the important role played by Governor Engler, the state of Michigan and the city of Detroit to assure the facility's success.

New Stadiums in Detroit

The past 12 years have seen the construction of two new sports stadiums in Detroit. The Michigan Renaissance Fund allocated \$55 million for land acquisition and infrastructure improvements to facilitate the construction of Comerica Park, new home of the Detroit Tigers. Many of these infrastructure improvements will also be beneficial to Ford Field when it becomes home to the Detroit Lions in the fall of 2002.

Also in 2002, MDOT will be rehabilitating the I-375/Madison Avenue interchange, which leads directly to Comerica Park and Ford Field. These new stadiums will help serve as anchor tenants and a catalyst for new jobs and development in Detroit.

Expanding Commerce & Tourism Jobs

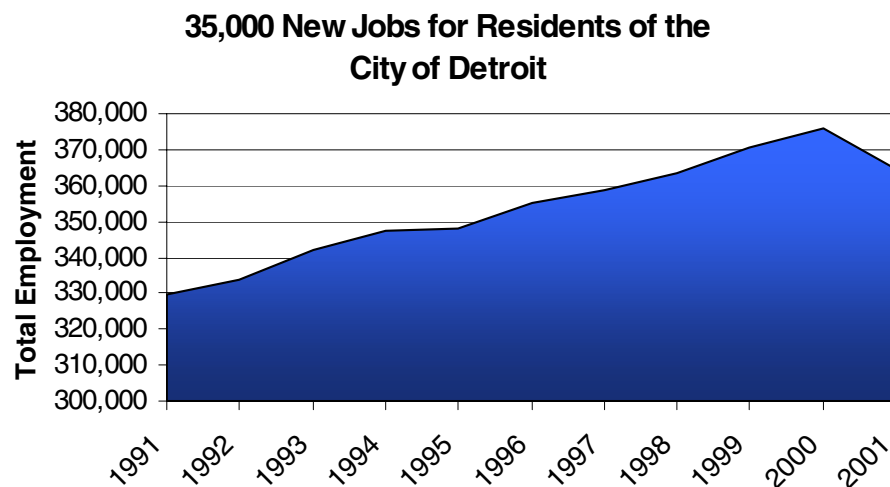
Organizations within Wayne County and Detroit are active participants in Travel Michigan's cultural tourism efforts. Detroit features a major theater district as well as an impressive group of organizations that comprise the

Cultural Center, including the Michigan Opera Theater, Detroit Symphony Orchestra, Detroit Music Hall, Detroit Historical Museum, the Detroit Institute of Arts, the Charles Wright Museum of African American History, the Detroit Science Center and the Center for Creative Studies – all within a three-mile radius.

In 2002, 71 Wayne County arts and cultural organizations received \$10 million of the \$23 million awarded by the Michigan Council for Arts and Cultural Affairs (MCACA).

Other counties, with major urban centers, supported by MCACA, include:

- 34 grants in Oakland County totaling \$2.5 million;
- 32 grants in Kent County totaling \$1.7 million;
- 29 grants in Washtenaw County totaling \$1.6 million;
- 24 grants in Kalamazoo County totaling \$833,000; and
- 23 grants in Ingham County totaling \$1.5 million.



Keeping State Jobs in Urban Areas

Governor Engler is strongly committed to keeping state employees working in urban areas. After General Motors announced that it would be moving its headquarters to the Renaissance Center, the state began negotiations to relocate and consolidate many agencies into the old GM headquarters building in the New Center area of Detroit. Now, some 1,900 state employees work in Cadillac Place and patronize businesses in the area.

In Lansing, many state departments have been moving in an effort to consolidate their organizations. This has been facilitated by the construction of several new buildings in downtown Lansing, some by the state and others by private developers, including: Constitution Hall, the Hall of Justice and the Capitol Tower Building.

In addition, plans were recently announced to move the Michigan State Police Headquarters and the Department of Military and Veterans Affairs to a new building located in downtown Lansing.

Title Clearance Assistance

Under its Core Communities Initiative, Michigan Economic Development Corporation (MEDC) is providing \$1 million in funding to Detroit to assist in clearing title to approximately 1,800 parcels. These parcels are the first phase of a residential and commercial development representing 13 projects that ultimately will involve approximately 5,300 city-owned parcels.

Progress Report: John Lauer, CEO Rootlevel, Detroit



When most people think of urban development, they don't think of information technology. However, John Lauer, founder and CEO of Rootlevel, a Detroit-based information technology firm, believes that IT is at the heart of economic development in downtown Detroit. "A lot of Detroit's development will happen automatically through IT," he said.

Rootlevel is pioneering the urban IT revolution. The company recently implemented its ZING program, which is "a technology-led economic initiative to wire Detroit to the Internet, specifically in downtown," Lauer said. ZING connects residents living in lofts downtown to other lofts via an Ethernet broadband connection giving residents the fastest Internet connection in the country for only \$50 per month.

"Our goal is to get Detroit on the cover of Wired magazine," Lauer indicated. "If we can get that goal, I think the stuff we can get around it can create the change in Detroit." Lauer believes in realness and perception in creating a change in the city.

"It's sad that something as basic as perception hurts our ability to be competitive in the country and the world. The Governor's initiatives in information technology with the IT summit, MEDC, and the new broadband bill that was recently passed will change the perception of the city, providing it with the realness it needs to continue developing."

RevitaLife Program

This multi-agency initiative was established to improve the quality of life for Detroit and Highland Park residents by demolishing dilapidated structures and conveying state owned tax-reverted property to nonprofits, and side lots to neighboring homeowners.

Thousands of parcels including vacant lots and abandoned residential and commercial structures, act as a blighting influence on the neighborhoods and pose safety concerns for children. The state of Michigan is spending more than \$5 million statewide on this effort.

Nonprofits can redevelop the lots by:

- building new houses,
- rehabilitating existing structures,
- creating neighborhood parks, gardens, tot lots, and
- other community improvement projects.

To date, more than 400 properties have been transferred with another 900 in the process of being transferred. In addition, 200 structures should be demolished by the end of summer 2002.

Land Acquisition Assistance

Under its Core Communities Initiative, MEDC is providing up to \$2.5 million to assist Detroit in acquiring land for its I-94 Industrial Park Project. The I-94 Project will result in the creation of six new industrial facilities built to Certified Industrial Park requirements. MEDC funds will leverage approximately \$80 million in private investment. These projects encompass 1,301 parcels.

New Beginnings: Environmental Rebirth

Encouraging Brownfield Redevelopment

In 1995, Governor Engler amended Michigan's primary environmental cleanup law that spurred record levels of environmental remediation and urban revitalization. The amended law eliminates barriers to redeveloping abandoned, contaminated properties – called "brownfields" – by bringing common sense, fairness and certainty to the process. Prior to these changes, liability for existing contamination was assumed along with the purchase of contaminated property. Michigan now has a true "polluter pay" law that holds responsible parties liable for contamination they cause, and does not saddle innocent parties with the liability, which is a tremendous incentive for redevelopment. The program reduced cleanup costs by 50 percent, generated \$3.5 billion in private investment and created nearly 10,000 jobs. In Wayne County, it resulted in \$2.2 billion in private investment and more than 4,000 jobs.

Michigan's leadership has garnered national attention. In fact, Consumers Renaissance Development Corporation ranked Michigan's brownfield program as first in the nation. The program has been so successful it serves as a cornerstone of the Clean Michigan Initiative, a \$675 million environmental bond proposed by Governor Engler and approved by voters in 1998. Through April 2002, more than \$80 million in state cleanup money has been provided for 75 environmentally contaminated sites in Detroit. This includes \$36 million in Clean Michigan Initiative funds for 31 sites, including \$9.2 million for Waterfront Redevelopment Grants.

Progress Report: American Axle Headquarters, Detroit



In 2001, American Axle and Manufacturing (AAM) was awarded a Brownfield Single Business Tax credit by the state worth 10 percent of the company's eligible investment in a proposed new world headquarters.

"Since the formation of American Axle & Manufacturing, over eight years ago, Governor Engler has been consistently supportive," said AAM Co-Founder, Chairman of the Board and CEO Richard E. Dauch. "AAM's latest Detroit milestone – our seven-story global headquarters building – is becoming a reality largely due

to the cooperative spirit between government and business."

"Governor Engler has provided valuable guidance, and support to AAM. We have rebuilt, modernized and expanded our facilities and workforce in Michigan," Dauch emphasized. "Now, AAM's presence is global. We have grown from five to 23 locations worldwide and our workforce has increased from 7,500 to 12,000. John Engler has proven to be a most accomplished CEO, with tremendous business acumen, a high degree of integrity and visionary leadership."

Tire Cleanup

Every year the DEQ issues funds to Detroit to remove tires from neighborhoods. The DEQ has contributed more than \$1 million since 1993 to remove nearly one million tires. The DEQ has assigned staff to the area since 1991 to implement and enforce the Scrap Tire law.

Detroit Operation Clean Sweep

Michigan assists Detroit in its annual Operation Clean Sweep initiative. The six-day event encourages volunteers throughout the city to participate in the cleanup of trash and debris from designated city-owned vacant lots.

- DEQ provides an agreement that protects the city from liability for improper waste handling measures by volunteers.
- DEQ waives licensing requirements to allow for the creation of temporary staging areas or “transfer stations” on city lots where the Department of Public Works would collect and then sort trash and debris for transfer to permanent disposal sites.
- DEQ has expended more than \$1.2 million in Detroit through the Scrap Tire Cleanup Program.
- The Michigan National Guard provided vehicles and manpower to haul away trash and debris.

Improving Water Quality

The DEQ has provided nearly \$420 million in low-interest loans to the city of Detroit to upgrade the city’s sewerage system, and an additional award of \$22 million is anticipated in June 2002. Funds awarded to date have been used to upgrade facilities at the wastewater treatment plant and provide financing for initial segments of the facilities that the city must construct to control combined sewer overflows.

The city is operating its treatment plant under its existing National Pollution Discharge Elimination System permit and a consent judgment issued by federal district court. The plant has substantially met effluent limits since early 1999. Detroit continues to make significant progress constructing treatment facilities and implementing long-term programs to adequately treat all wastewater flows from the combined sewer system.

Improving Air Quality

Michigan came into compliance with all federal air-quality requirements in 1999, when southeastern Michigan was designated as being in attainment for carbon monoxide standards, one of the six criteria pollutants defined in the Clean Air Act. At the request of Wayne County, the DEQ assumed the responsibilities for regulating air quality in the county in 2001.

Stopping Illegal Dumping

A successful DEQ pilot program to combat illegal dumping was later expanded to Flint as well. Officers of the DEQ’s Office of Criminal Investigations worked alongside local police officers and provided training in recognizing environmental crimes.

Recreation Grants

Since 1991, the DNR has issued grants to Detroit for a variety of recreational purposes, including:

- \$750,000 to renovate basketball and tennis courts at numerous parks in 1992;
- \$500,000 to rebuild ballfields, volleyball courts, soccer fields and other projects at Farwell Park in 1996;
- \$500,000 for a seawall/promenade and new railing along the Detroit River at Riverside Park in 1997; and
- \$750,000 for construction of Farwell Recreation Center in 2000.

Proposed Tricentennial Park

In 2000, Governor Engler proposed the idea of Tricentennial Park to then Detroit Mayor Dennis Archer. It involved the DNR acquiring St. Aubin Marina and the development of a park along the Detroit River from the Renaissance Center to the marina. The city of Detroit was responsible for the assembly of the land and leasing the necessary parcels to the state in a jointly operated urban state park. Not including land acquisition, the cost of the park in 2001 was estimated at \$36 million. The St. Aubin marina improvements have begun, but land assembly has slowed development of the rest of the park.

Better Opportunities: Improving Education

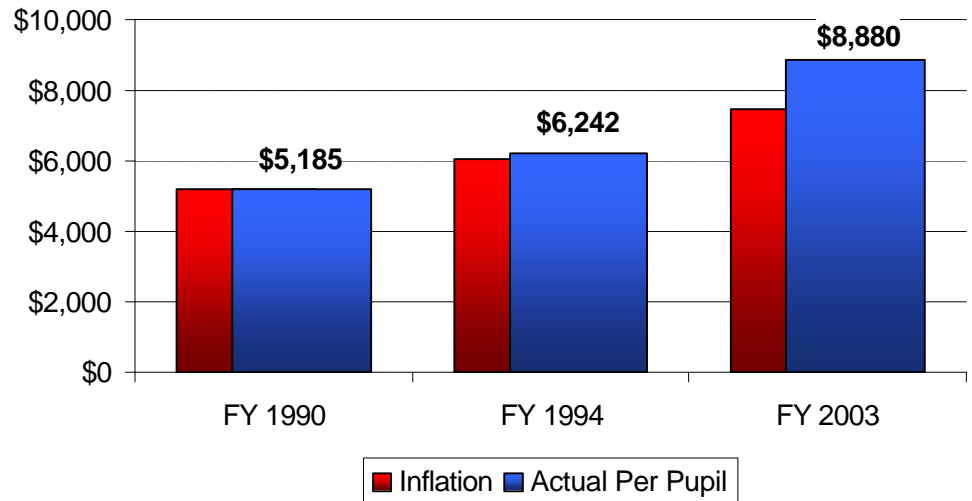
Education Funding

Governor Engler is providing world-class funding for public schools and children in Michigan and Detroit.

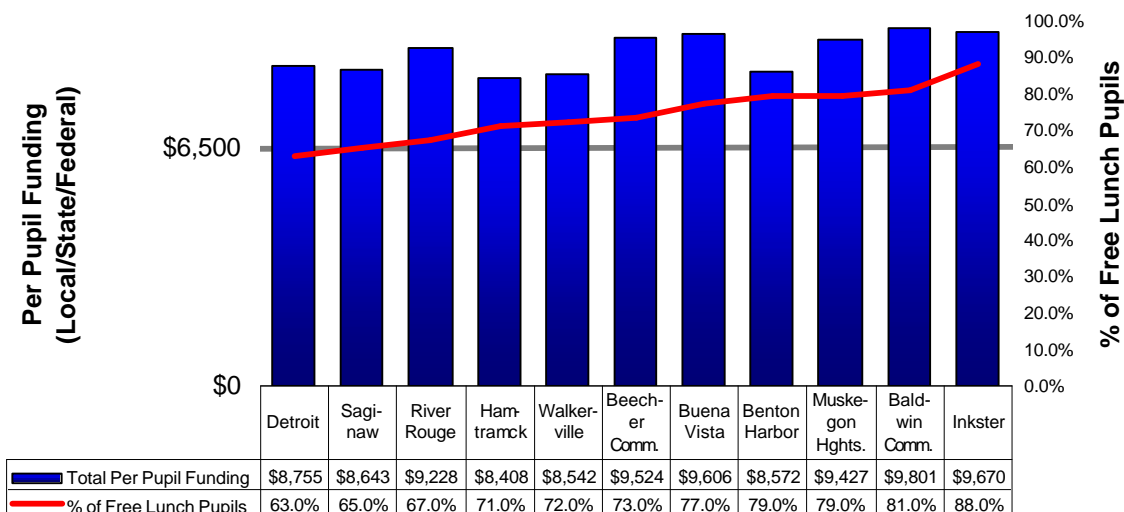
In fiscal year 2002, Detroit public schools received \$8,755 in per pupil funding. That placed Detroit schools in the top 10 percent of Michigan's traditional public school districts.

In fiscal year 2003, Detroit public schools are projected to receive \$1.24 billion from state and local revenue — more than any other school district. Since 1990, total spending per student (state, local, and federal combined) is **up more than 71 percent — reaching \$8,880** in fiscal year 2003.

Per Pupil Funding for Detroit Public Schools
Growing Faster Than Inflation
Total State/Local/Federal Funds



School Districts with a high percentage of free lunch students are funded well above the state minimum



Other urban school districts have also increased funding during the 1990s. In fiscal year 2002, all schools with more than 63 percent of their pupils receiving free lunches were funded above \$8,400 per pupil, well above the state minimum of \$6,500.

Empowering Parents

Prior to Governor Engler's reforms, parents had to move to a different city or neighborhood to change schools. Now, school choice and charter public schools allow the parents of Detroit's nearly 180,000 students to choose what is best for their children. In the Detroit Public School system, 3,881 students are exercising the Schools of Choice option. These students are enrolled in 27 school districts. In addition, there are 51 Public School Academies (charter schools) in Detroit that enroll an additional 20,622 students.

Reformed Detroit Public Schools

Governor Engler signed legislation giving the Mayor of Detroit the authority to appoint a seven-member school reform board that would include the state superintendent or his/her designee as a board member. That board is charged with the critical responsibility of appointing the Chief Executive Officer to lead the reform effort in the Detroit Public Schools. The board and new superintendent have worked diligently to repair crumbling schools, improve management practices, lift test scores, and cut dropout rates.

Detroit also received help in addressing a teacher shortage with reforms to the Public School Employees Retirement System that allow certain retired teachers or administrators to return to work in districts experiencing emergency situations.

Progress Report: Dr. Kenneth Burnley, Detroit Public Schools



The past decade of public education in Michigan has in many ways been both the most exciting and controversial times in the state's history. As CEO of the Detroit Public Schools, I am pleased to be a part of shaping the educational destiny of Detroit's young people.

A native Detroiter, I am a graduate of the Detroit Public Schools and know the value of a good public education. I have the great opportunity and responsibility of being the first permanent CEO under a new reform governance structure in the Detroit Public Schools. Our focus has remained solidly on improving student achievement, as it should be. Our approach will focus on student literacy, having students come to school prepared to learn and creating a no-excuses approach to improvement. It is clearly a time of high student expectation for learning and accountability.

We will build in the schools a consistent, across-the-board methodology for teaching reading that everybody has been trained in, with an on-time delivery of materials that everyone is using, and monitoring so we can make sure all students are having success -- the bottom line, particularly for an urban area. If we can teach our students to read and be literate by 3rd grade, then we can have all students on grade level and ready to take Algebra by 8th grade. It is a challenge that has the eyes of the nation upon Detroit. It is exciting but difficult work. There is often no cheering section nor immediate rewards in the work of educational reform because it means change to people. Nevertheless, it is the most important work in which an educator can be engaged.

Computers for Teachers

The Teacher Technology Initiative is a \$110 million one-time investment in Michigan's teachers proposed by Governor Engler as part of the 1999-2000 state school aid package. The program provided K-12 teachers with a free personal computer, software and Internet access. Teachers started receiving computers in March 2001. Today, Michigan Virtual University is involved in the second phase, providing professional development opportunities to these 90,000 teachers. The state is also working to make lesson plans available online.

The Teacher Technology initiative provided computers to teachers across the state, including:

- 7,588 computers in the Detroit Public Schools,
- 1,441 computers to Grand Rapids Public Schools,
- 1,155 computers to Flint Public Schools, and
- 1,084 computers to the Lansing Public Schools.

Michigan Merit Award Scholarship Program

In 1999, Governor Engler signed legislation establishing the Michigan Merit Award to reward high school graduates who performed well on the MEAP test. Students who qualify are given \$2,500 for eligible expenses at approved colleges and universities in Michigan, or \$1,000 for use at out of state schools.

Beginning with the graduating class of 2005, Michigan Merit Award recipients will be able to earn up to \$3,000 each as a reward for performing well on both their high school MEAP tests and the MEAP tests they took in the 7th and 8th grades. To date, more than 90,000 students have earned a Michigan Merit Award, and the class of 2002 is expected to receive an additional 50,000 Merit Awards, bringing the 3-year award total to more than 140,000.

Support for Higher Education

Michigan's public higher education system is one of the most respected in the nation. Since 1990, Governor Engler has increased funding for Wayne State University by nearly 50 percent — an increase of more than \$78.8 million. In fact, Wayne State University receives more state money per student than any other Michigan university.

State spending on Wayne County Community College has increased by over 39 percent — an increase of \$4.9 million — since 1990. Funding for Henry Ford Community College has increased by \$8 million (58 percent) and funding for Schoolcraft College has increased by \$5 million (68 percent) since 1990.

The state has also invested in new buildings and other infrastructure to better serve students. During the 1990s, Wayne State University has received \$131 million for projects such as: the renovation of Old Main, the Wayne State Undergraduate Library, the Wayne Pharmacy Building, and the campus welcome center.

Best Workforce Development Program in the Nation Trains Workers for Good Jobs

Michigan's state-of-the-art workforce development system has been recognized as one of the best in the nation, and it has helped thousands of workers learn new skills, especially in high-tech industries. In addition, the Economic Development Job Training (EDJT) program provides grants to train workers at risk of losing their jobs. Since 1993, more than 523,000 workers have benefited from this program. The city of Detroit alone received \$3.1 million in grants last year, which helped train more than 4,500 workers.

Progress Report: Eleanor Josaitis, Focus: HOPE, Detroit

"John Engler believes in Focus: HOPE's mission of using intelligent and practical action to overcome racism, poverty and injustice. He has invested in Focus: HOPE's practical solutions to the problems of hunger, economic disparity, inadequate education, career preparation, and racial divisiveness. Our relationship with Governor Engler is built on mutual trust and a passion for human and civil rights. He understands that education and job opportunities are the way to break the barriers of racism.



"The Governor has often been the first to commit and leverage state support for federal and private partnering. In collaboration with John, we have developed technology training programs as well as education and corporate partnerships that offer a great return on the state's investment. Among many projects that he has supported is a significant state investment in renovating our Machinist Training Institute, allowing us to continue training men and women for advanced manufacturing careers. Our programs:

- Graduate engineers, machinists, manufacturing technologists, and information technology professionals critical to employers and our economy.
- Provide thousands of individuals, especially urban youth, with the skills necessary for success in the 21st century job market.
- Utilize partnerships at every level to develop internationally renowned models for effective career development, community outreach, basic needs and education.

"Focus: HOPE operates a Commodity Supplemental Food Program for mothers, young children and senior citizens; Center for Advanced Technologies engineering program; Machinist Training Institute; Information Technologies Center; FAST TRACK and First Step to upgrade math and reading skills; Center for Children that offers Montessori and early childhood education; Community Arts Program, and community development and beautification projects.

"With John Engler's support, the Focus: HOPE programs have gained international recognition for urban leadership."

Better Opportunities: Strengthening Families

Immunization Rates Soar in Michigan and Detroit

Immunization rates in Michigan have increased dramatically, thanks to the combined efforts of both public and private health agencies and an aggressive awareness campaign. Michigan children have benefited from a dramatic increase in the immunization rate from 42 percent in 1994 to 76 percent in 2000. In Detroit, the improvement has been just as dramatic. In 1991, just 29 percent of Detroit children two years and younger were fully immunized. By 2000, this number had increased to 62 percent.

Infant Mortality Rate on the Decline

Michigan's infant mortality rate has improved substantially during the 1990s. Since 1991, infant mortality in Michigan has decreased 28 percent. Infant mortality in Detroit has decreased by 48 percent during that same period. An important reason for this improvement is that Governor Engler declared prenatal care a "basic health service" under the public health code, regardless of a woman's ability to pay. In addition, maternal and infant health advocacy programs have been implemented in Detroit and other cities.

MIChild & Healthy Kids

The MIChild program was created to expand health care to uninsured, low-income children from working families who could not afford their own private health insurance. Since the MIChild comprehensive health care coverage began, nearly 50,000 children have received coverage through the program, with nearly 26,000 currently enrolled. Through MIChild's extensive outreach efforts, we have enrolled approximately 135,000 children in the Healthy Kids Medicaid program.

MIFamily Health Plan

The creation of the MIFamily plan will provide comprehensive health care to persons in need by expanding Medicaid benefits and improving health care access for 222,000 people. The MIFamily plan will also allow persons with disabilities to earn more in the workplace without fearing they will lose their health insurance through Medicaid.

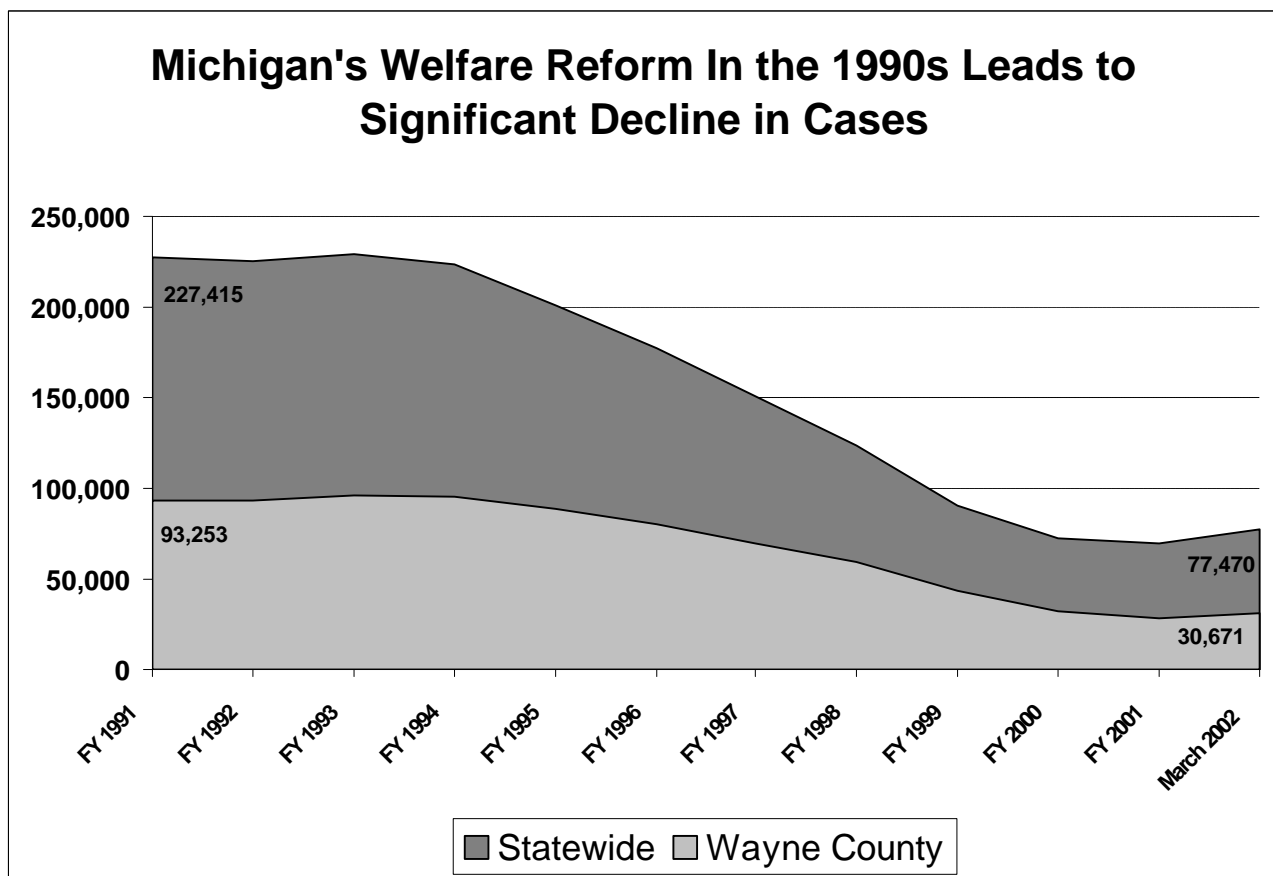
Paternity Establishment

Michigan's rate of known paternity among unwed parents has doubled since 1993. By encouraging unwed parents to sign paperwork before they leave the hospital with their babies, the known paternity rate among out-of-wedlock births has risen from 26 percent in 1993 to 56 percent in 2000. This improvement is even more dramatic in Michigan's urban areas. During the same period, the paternity identification rate has risen from 9 percent to 44 percent in Wayne County, from 5 percent to 30 percent in Detroit, from 29 percent to 62 percent in Lansing and from 47 percent to 62 percent in Grand Rapids.

Welfare Reforms

The results of our welfare reform initiative launched in October 1992, titled “To Strengthen Michigan’s Families,” can be seen in urban areas across the state.

- The Family Independence Program (FIP) caseload total has declined by two-thirds since March 1994, the most recent caseload peak. The total has dropped from 226,863 cases in March 1994 to 77,470 in March 2002. This is remarkable in light of the recent national recession.
- In Wayne County, the FIP caseload has dropped from nearly 95,000 cases in 1994, to just over 30,000 in March 2002.
- Project Zero was launched in 1996, with the goal of removing barriers to employment for welfare recipients. To date, 91 of 103 sites have achieved “zero,” a point in time when all cases required to work are reporting earnings. This includes all sites in Detroit and Wayne County.
- Increased spending on child day care programs has allowed more families to seek employment. Day care spending has risen by nearly \$400 million, or 735 percent, since 1990.

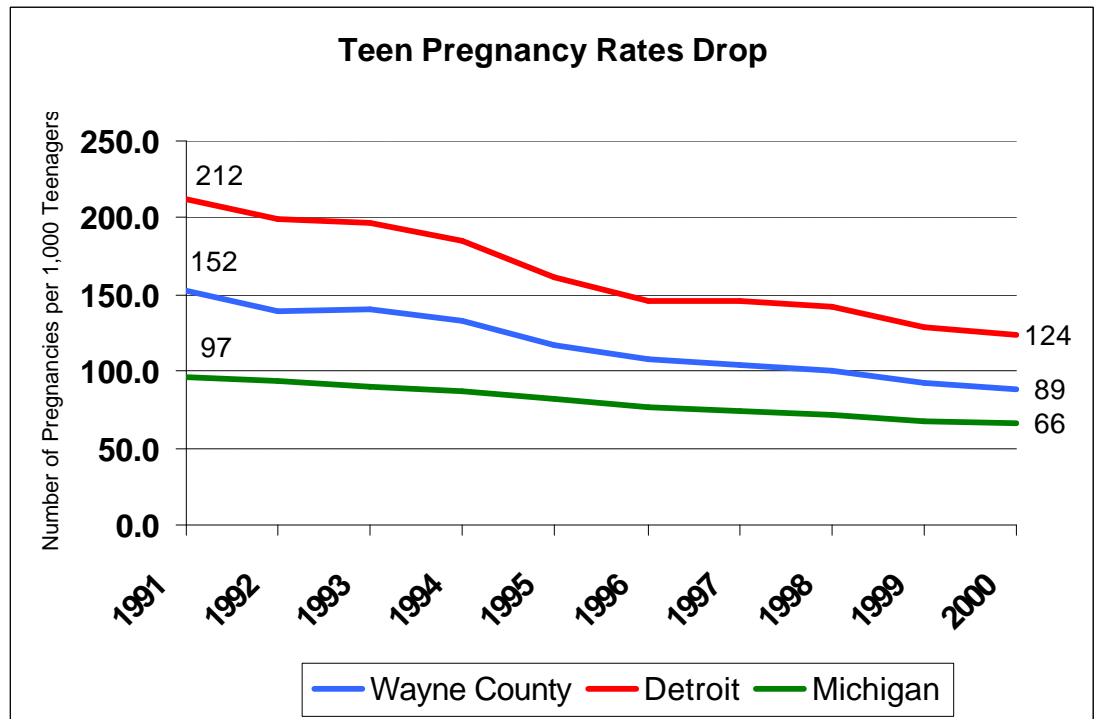


Teen Pregnancy Rates Drop

Teen pregnancy rates in Michigan have dropped dramatically. This is due in part to the Department of Community Health and the Michigan Abstinence Partnership, a broad-based group from across the state committed to encouraging young people to stay healthy by avoiding risky behaviors such as sexual activity. The partnership funds state and local abstinence activities targeted to youth and families in their communities.

Using the theme “Sex Can Wait,” children are educated about the consequences of sexual activity, and parents are encouraged to talk with their children about these important issues.

Statewide, teen pregnancies have dropped from 96 per 1,000 teens in 1991 to 66 per 1,000 teens in 2000, a decline of 31 percent.



The decline has been even more dramatic in Wayne County and Detroit. The Wayne County teen pregnancy rate has dropped from 152 to 88 (down 42 percent) and the Detroit rate has dropped from 212 to 124 (down 41 percent). The Lansing area (Ingham County) and Flint area (Genesee County) have also seen significant drops of 33 percent and 23 percent, respectively.

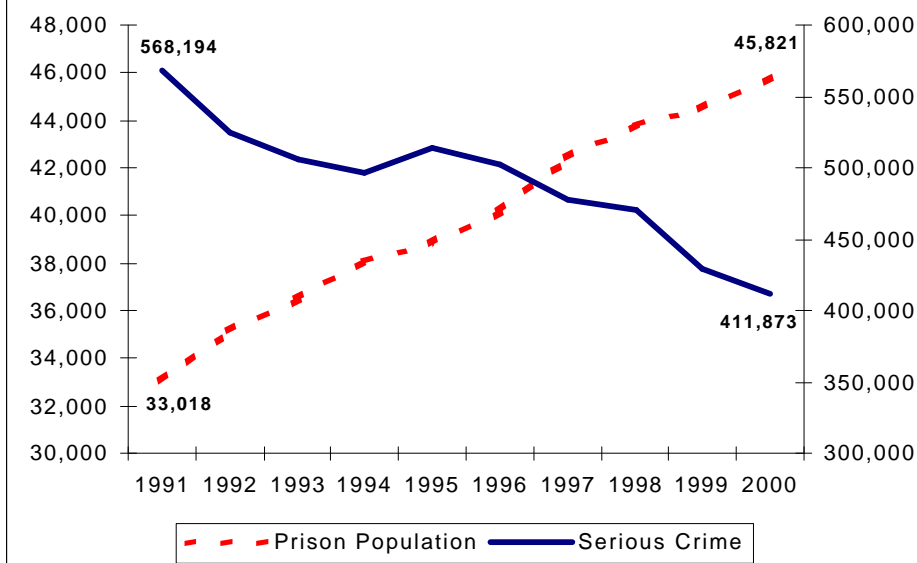
Michigan Neighborhood Partnership (MNP)

Governor Engler assisted in the creation and funding of the MNP, a multi-member organization of primarily faith-based, nonprofit organizations. The MNP's mission is to assist neighborhood and faith-based organizations in Detroit to strengthen individuals, families and communities through social and economic development. Collaborating with state agencies to link state service to community-based organizations has been a particularly successful activity of the MNP. MNP's core member organizations represent over 200,000 urban residents.

Since its inception, MNP has been an organization in which the various sectors of the community can join together in an effort to strengthen families and revitalize communities. To date, MNP's less than \$10 million budget has leveraged over \$50 million in resources for neighborhood and faith-based organizations.

A Solid Foundation: Ensuring Public Safety

Serious Crime Drops as More Criminals are Taken off the Streets



Crime Rate Down in Michigan & Detroit

As a result of a smart and aggressive crime fighting strategy, violent crime (murder, rape, robbery and assault) is down 26 percent in Michigan since 1991.

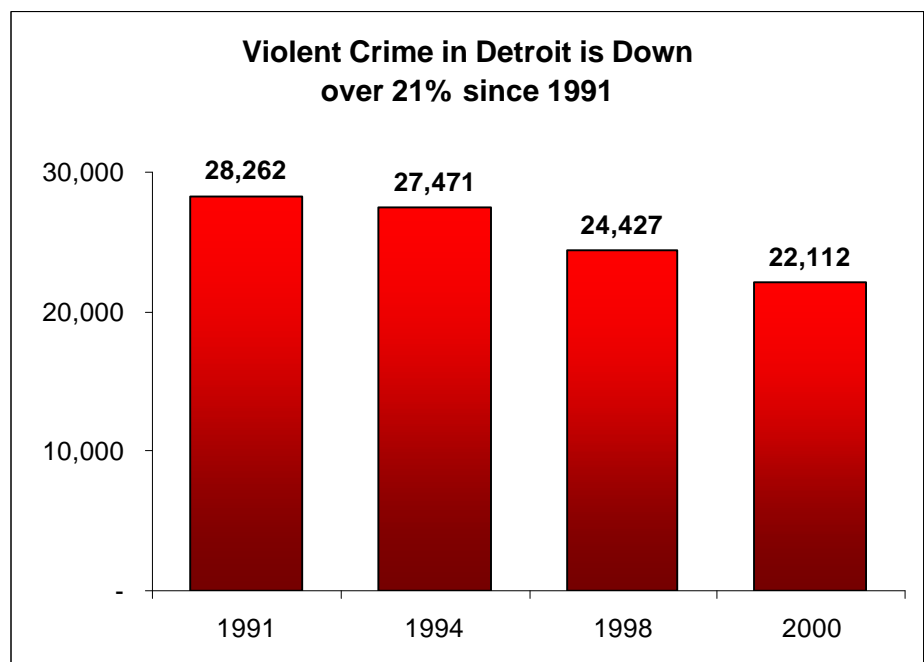
In Detroit, violent crime is down by 22 percent over the past decade. Also, in Detroit, the number of murders is down 35 percent, the number of rapes is down over 43 percent and the number of robberies is down by 42 percent.

Violent Crimes Task Force

In June 1994, the Michigan State Police (MSP), Detroit Police Department, DEA, FBI, INS and the Wayne County Sheriff's Department formed the Violent Crimes Task Force.

This multi-agency task force investigates high profile violent crimes in the Metro Detroit area. It is now also tasked with investigating all "non-fatal" shootings in the city.

Violent Crime in Detroit is Down over 21% since 1991



Carjacking Task Force

This cooperative effort between the Michigan State Police (MSP) and the Detroit Police Department (DPD) has contributed substantially to the reduction of carjackings in Detroit. Since its inception, the number of carjackings reported has been reduced by 52 percent.

Alliance Fugitive Task Force

The Alliance Fugitive Task Force was formed in 1993 with the MSP, FBI and the DPD to seek and apprehend fugitive felons. In 2001, 336 felons were arrested, including 99 for murder or attempted murder and 40 for criminal sexual conduct.

Homicide Task Force

The MSP, DEA and the DPD formed this task force to investigate narcotic related homicides occurring in Detroit. This unit has a 67 percent closure rate, solving 84 of the 124 cases assigned since its formation.

HIDTA (High Intensity Drug Trafficking Area)

To better coordinate covert and undercover drug enforcement efforts, while enhancing officer safety in Detroit and southeast Michigan, MSP has dedicated the full-time services of a detective lieutenant to work cooperatively with the Detroit Police and a number of federal agencies to track, plot and assist in coordinating the total law enforcement effort.

Creation of the MSP Gaming Section

With the enactment of the Gaming Control Act in 1997, the MSP established a Gaming Section, which currently consists of 32 members. This section assists the Michigan Gaming Control Board with the licensing and regulation of the MGM, Motor City and Greektown Casinos. They also provide criminal enforcement and public safety at each facility, while working cooperatively with the Detroit Police Gaming Division and the security and surveillance departments at each casino.

Progress Report:

Mayor Kwame Kilpatrick, City of Detroit



Mayor Kwame Kilpatrick

Governor Engler and Detroit Mayor Kwame Kilpatrick are working together on a wide range of issues, ranging from the development of recreational opportunities on the Detroit riverfront to law enforcement partnerships.

"As Democratic Leader in the Michigan House of Representatives and now as Mayor of the City of Detroit, I've worked with John Engler on many fronts," said Mayor Kilpatrick. "I appreciate his commitment, but mostly, his commonsense approach to governing."

"As I work to help Detroit become the City that God intended for it to be, I welcome new opportunities to work with Governor Engler to better serve the citizens of Detroit," Mayor Kilpatrick added.

A Solid Foundation: Building Our Transportation Infrastructure

Past Road and Bridge Repairs

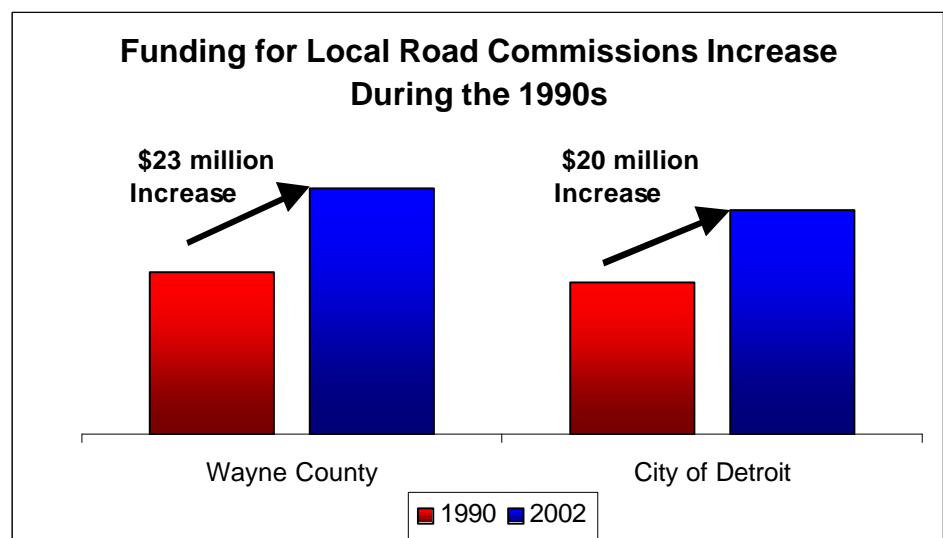
Since 1992, the Michigan Department of Transportation (MDOT) has invested more than \$458 million to repair roads and bridges in Detroit. Numerous improvements have taken place in just the past four years including:

- rehabilitation and reconstruction of over 200 bridges including I-94 over Dequindre;
- developing plans to extend I-375 south of Jefferson Avenue;
- resurfacing of I-94 from I-96 to east city limits (2001-2002);
- reconstructing of I-75 from south city limits to Rouge River bridges (2002-2003);
- reconstruction of I-75 from Rouge River to West Grand Blvd.;
- reconstruction of I-75 from Michigan Avenue to I-94;
- reconstruction of M-8 (Davison Freeway) between I-75 and M-10 (Lodge);
- reconstruction of M-10 between I-75 and Griswold (2002);
- resurfacing of M-1 (Woodward Avenue) between I-75 and 8 Mile;
- resurfacing of M-5 (Grand River) between Washington Blvd. & M-39 (Southfield Freeway);
- rehabilitation and additional capacity on Jefferson Avenue between M-10 and I-375; and
- resurfacing of I-96 between Michigan Avenue and Schaefer.

Major road projects have been completed in other urban areas as well, including the reconstruction of I-496 in downtown Lansing and reconstruction of the “S-curve” in Grand Rapids. In Grand Rapids, work is under way on the greatly anticipated M-6/Paul B. Henry Freeway (South Beltline) project. This 20-mile project will be completed in three phases over the next four years. Phase I, from I-96 to M-37, opened to traffic in November 2001, while Phase II, from M-37 to US-131, and Phase III, from US-131 to I-196, will be open to traffic by 2005.

Increased Funding for Local Roads

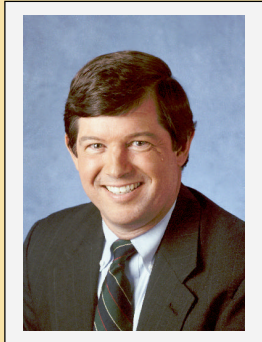
The majority of roads in Detroit are not under the jurisdiction of the state, but are the responsibility of city and county governments. While state spending on roads is up, so is state funding for local roads. The Wayne County Road Commission will receive \$23 million more in 2002 than it did in 1990 – an increase of 52 percent. Detroit will receive \$20 million more in 2002 than it did in 1990 – an increase of 49 percent.



Continued Support for the Detroit Department of Transportation (DDOT)

In 2002, over \$54 million will be provided to DDOT for local bus operations. Last year, the state invested nearly \$12 million to serve as the match for DDOT's Federal Transit Administration capital grants. The grants included purchase of up to 56 replacement buses, facility construction, facility improvements, communication equipment, preventive maintenance and service vehicles. In FY 2002, this state match is anticipated to be over \$13 million and will also include funding for these same items.

Progress Report: Anthony F. Earley, Chairman, Detroit Renaissance



"Detroit Renaissance directors — corporate and civic leaders in Southeast Michigan — are grateful for the Governor's commitment to the revitalization of Detroit's economy and quality of life.

"Over the past 12 years, Governor Engler repeatedly has championed shared public policy objectives, for example: regional taxing authority for the support of cultural institutions; more equitable, stable funding of K-12 schools that has resulted in more competitive property tax rates and a greater opportunity to focus on educational quality; increased state

support for rebuilding our transportation infrastructure; the Clean Michigan Initiative that is cleaning up contaminated sites and opening the Detroit riverfront to recreational use; practical environmental protection standards and state grants to stimulate the re-use of abandoned brownfields; the maintenance of state revenue sharing for Detroit coupled with the phase-down of burdensome city income tax rates and Renaissance and Smart Zone tax reductions that are jump-starting private investment in Detroit and other core cities.

"Under Governor Engler's leadership, state government has truly become a partner in furthering Detroit's renaissance."

Building a World-Class Airport

Wayne County's Detroit Metropolitan Airport, the sixth busiest airport in the world, has been transformed into a truly world-class facility. Recently, the airport opened a sixth runway, making its airfield one of the most powerful in the world. A new roadway provides passengers with easy access from I-275, in addition to their current access from I-94. In February 2002, the airport opened its new \$1.2 billion, 97-gate terminal that provides the traveling public with a state-of-the-art facility designed for customer convenience.

Believing that a well-run airport sends a signal across the world that Michigan is the right place to travel and do business, Governor Engler worked to create a new, seven-member authority to run Detroit Metropolitan Airport. The new authority will have full control over all airport facilities and operations, including maintenance and security, as well as construction or expansion projects. Members of the authority will be held to the same ethical standards as other public officials and will have an independent audit committee.

Investing in Passenger Rail Travel

MDOT has Amtrak under contract to design a new passenger intermodal facility to be constructed on the property that was purchased from General Motors. This facility is estimated to cost approximately \$14 million. The design should be completed in July 2002.

In 1997, MDOT released the Southeast Michigan Regional Rail Study. This project studied the feasibility of a regional rail in Southeast Michigan, using Detroit as a “hub.” This \$400,000 effort identified optimal rail routes, system benefits, and provided an operational business plan.

MDOT is also working with the Southeast Michigan Council of Governments (SEMCOG) on the downtown to Metro Airport light rail study. The first phase, feasibility study was completed in June of 2001. SEMCOG has a request for proposal out for the next phase of the work, including: Federal Transportation Authority new starts application, environmental clearance, preliminary engineering and design.

